

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 EB-11 SCEM-02 SCI-06 COME-00 TRSE-00 INT-08

OMB-01 CIEP-02 DRC-01 /134 W
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R 201437Z DEC 73

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 7563

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY STOCKHOLM

USMISSION OECD PARIS

USMISSION NATO

USMISSION EC BRUSSELS

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EO 11652: N/A

TAGS: ENRG ID NO

SUBJECT: POSSIBLE NORWEGIAN OIL PURCHASES

1. NORWAY'S UNDERSECRETARY OF COMMERCE MAGNUSSEN CONFIRMED TO EMBASSY DECEMBER 19 THAT NORWAY IS CONSIDERING THE DIRECT PURCHASE OF OIL TO COVER PART OF ITS NEEDS. WHILE OIL COMPANIES HAVE AGREED TO HANDLE THIS OIL, THEY HAVE IMPOSED A CONDITION THAT SUCH OIL MUST BE ADDITIVE, NEW OIL AND NOT TAKEN FROM SUPPLIES WHICH MIGHT OTHERWISE BE AVAILABLE TO THEM. MAGNUSSEN VIEWS THIS CONDITION AS POLITE TURNDOWN OF HANDLING GOVERNMENT PURCHASED OIL. COMMERCE MINISTER JENS EVENSEN WILL DISCUSS SITUATION WITH OIL COMPANIES WHILE HE IS IN U.S. THIS WEEK.

2. MAGNUSSEN CONFIRMED THAT NORWAY HAD RECEIVED A NUMBER OF OFFERS OF OIL, BUT WAS IMPOSSIBLE TO TELL WHETHER THE OIL INVOLVED WOULD MEET CONDITIONS OF REFINERIES. WHILE
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NORWAY WAS CONSIDERING THE DIRECT PURCHASE OF ABOUT 20

PERCENT OF ITS REQUIREMENTS, IT WAS ALSO WORRIED ABOUT BEING STUCK WITH HIGH PRICED OIL WHEN OIL CRISIS ENDS.

3. ON SOVIET OIL, MAGNUSSEN SAID HE DOUBTED USSR HAD MUCH SURPLUS OIL TO SELL. HE BELIEVED SOVIETS WOULD DELIVER OUTSTANDING OIL CONTRACTED FOR BY NOREXIM, A PRIVATE NORWEGIAN COMPANY, BUT CONFIRMED THAT SOVIETS WERE SEEKING HIGHER PRICES. MAGNUSSEN ALSO THOUGHT SOVIETS WOULD EVENTUALLY AGREE TO SELL AT LEAST AS MUCH OIL TO NORWAY IN 1974 (600,000 TONS) AS THEY HAD IN 1973. IN CONNECTION WITH SOVIET OIL, YUGOSLAV AMBASSADOR TOLD AMBASSADOR BYRNE THAT DURING A VISIT OF A YUGOSLAV MINISTER TO PRIME MINISTER BRATTELI THIS WEEK, BRATTELI EXPRESSED SERIOUS CONCERN THAT SOVIETS ARE DRAGGING THEIR HEELS IN COMPLETING DELIVERIES ACCORDING TO TERMS OF A '73 AGREEMENT AND ARE APPARENTLY MOST RELUCTANT TO SIGN A '74 AGREEMENT.

4. MAGNUSSEN WAS PARTICULARLY CONCERNED ABOUT AN ECONOMIC SLOWDOWN IN NORWAY AND ITS FOREIGN MARKETS AS A RESULT OF THE OIL CRISIS. HE CONFIRMED THAT NORWAY COULD ACCELERATE DEVELOPMENT OF ITS OWN OIL RESOURCES AS A LONG-TERM MEANS OF TAKING UP SLACK IN THE ECONOMY, BUT THE LEAD TIME FOR OIL DEVELOPMENT IS QUITE LONG AND HE DID NOT THINK THE OIL CRISIS WOULD LAST MORE THAN A FEW MONTHS.

5. NORWAY HAS EXPERIENCED AN UNUSUALLY COLD WINTER. STOCKS HAVE BEEN DRAWN DOWN 15-20 PERCENT, WHICH IS MORE THAN USUAL, AND FURTHER RESTRICTIONS ON INDUSTRIAL USE OF OIL AND GAS RATIONING ARE EXPECTED SHORTLY AFTER THE NEW YEAR. BYRNE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973OSLO004665
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: OSLO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731213/aaaaajjf.tel
Line Count: 91
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 13 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13-Sep-2001 by freemaal>; APPROVED <03-Oct-2001 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POSSIBLE NORWEGIAN OIL PURCHASES
TAGS: ENRG, ID, NO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005